Desk

UNIVERSITY
OF MICHIGAN
SEP 14 1950
PERIODICAL
READING ROOM

FOREIGN POLICY BULLETIN

An analysis of current international events

1918-1950

FOREIGN POLICY ASSOCIATION • INCORPORATED • 22 EAST 38TH STREET • NEW YORK 16, N. Y.

VOL. XXIX No. 41 *SEPTEMBER 1, 1950*

Formosa Shows Need for Western Unity in Asia

Washington's decision to place the question of Formosa before the United Nations promises to put an end to a sharp issue which was threatening, superficially at least, to undermine the unanimity with which the Western world has met Communist aggression in Korea.

Russia's delegate Jacob A. Malik has spent the month of August as president of the Security Council in an attempt to keep attention focused on every development in the Far East except the crossing of the Thirty-eighth Parallel by the well-prepared forces of North Korea. His most successful move toward isolating the United States is due to the fact that Washington has not recognized the Communist regime in China whereas Britain, India and other nations have. President Truman's order of June 27 to the Seventh Fleet to prevent an attack on Formosa, 'a unilateral action unsupported by UN resolutions, has added to the difficulty of presenting a united front, and Communist China's message of August 24 to Lake Success calling for the withdrawal of American naval and air units was a widely anticipated attempt to heighten American embarrassment.

By the time Peiping acted, however, not only was the State Department prepared but a Republican lead had been given by Governor Thomas E. Dewey in his speech of August 23 which called for submission of the Formosa question to the UN. Thus, the letter of American delegate Warren R. Austin to Secretary General Trygve Lie on August 25, requesting UN consideration of the issue, both met foreign criticism and had bi-partisan support at home. But differences between the civilian and military points of view, as revealed in General Douglas MacArthur's suppressed message to the Veterans of Foreign Wars convention in Chicago on August 28, indicate that the question of Formosa can easily reappear in domestic politics.

Britain's Position

The Western rift over Formosa, at least in so far as it is reflected in American and British policies, has revealed differences in tactics rather than aims. Britain appears to have recognized the military considerations which made the neutralization of Formosa desirable at the crucial stage when United States forces were moving into Korea. But speculation soon centered on the possibility that American and Communist Chinese forces might become embroiled in hostilities over Formosa. In a reply published August 15 to a question by a Labor backbencher, Prime Minister Clement Attlee admitted he was aware of these "dangerous possibilities" and added that Britain had made it clear that its action in Korea was in accordance with Security Council resolutions and "is not concerned with Formosa."

The fundamental Anglo-American cleavage arises over policy toward China as a whole. Britain recognized the Peiping government last January 6 for three well-defined reasons: to conform with the accepted British diplomatic practice of extending recognition to governments when they proved effectively in control of their countries; to protect as far as possible British investments in China, an economic stake estimated at more than £300 million; and to retain British prestige and influence elsewhere in Asia.

Of these three reasons, all based on realistic grounds, the third was the most important. Since 1945 Britain has retreated as gracefully as possible before Asian revolution and nationalism, striving at the same time to salvage goodwill and such strategic and economic interests as could be maintained through mutual consent. This approach has not only been reflected in India, Pakistan, Ceylon and Burma—all pre-war parts of the British Empire—but also in Indonesia and Indo-China where British troops were initially involved in accepting surrender from the Japanese on behalf of Western European colonial governments. Only in Malaya, where revolution is both Communist and Chinese and has little appeal for Malay nationalists, have the British stood pat.

Today what the Empire has lost the Commonwealth is trying to retrieve. Keeping India within the Commonwealth as an active, interested and cooperating partner has been a major aim both in London and in other dominion capitals —so much so that a constitutional formula was found in April 1949 to allow India to follow its wish of becoming a republic and still remain a member of an association previously confined only to monarchies. Therefore, the British Foreign Office has been sensitive to New Delhi's view of the world.

Moreover, many British Far Eastern experts hold views on China similar to

Contents of this BULLETIN may be reproduced with credit to the Foreign Policy Association

those of Prime Minister Jawaharlal Nehru. They contend that China is too old, too proud, too big, too concerned with domestic affairs to become a true and lasting satellite of the U.S.S.R. They argue that if Communist China is brought into diplomatic contact with the West and given a seat in the United Nations, this will in the long run encourage Peiping's independence.

While these considerations provide the basis for the British position, other factors have prevented London from pressing Washington for a more speedy reversal of its Formosa policy. The Peiping government met British recognition with a rebuff, demanding that Britain support its claim for a UN seat and satisfy certain conditions in respect to Chinese Nationalist assets and refugees. As a result, diplomatic representatives have not been exchanged. The possibility that the Communists will seek to oust the British from Hongkong also remains a point of friction. And London fully appreciates that neither Formosa nor the seating of the Chinese Communists in the UN can take precedence over Korea in the Security Council without weakening Western efforts at collective security.

Formosa and the Fleet

Whether the Soviet Union can use the Formosa question to cause further rifts between Western powers before any United Nations action can be taken depends largely on the military factors involved. If it would suit Russia's aims to bring about a Sino-American war, Moscow can be expected to press for more than a mere threat against the United States on the part of Peiping. Yet the Chinese Communists may be unwilling to send an invasion armada of junks into the teeth of the Seventh Fleet when there is a strong prospect that they will ultimately acquire Formosa at the conference table. A Communist air attack on the island is a greater possibility. However, such a move might be regarded by the United States as an incident rather than the initiation of a full-fledged war and therefore represents less of a danger. Friction along the Korean-Manchurian border as American planes carry out raids on North Korean targets is another potential source of conflict and may prove more important than Formosa. Meanwhile, Washington no less than London appears to regard greater Western unity in the Far East as an objective to be achieved at the earliest possible moment.

WILLIAM W. WADE

How Far Should Congress Go in Initiating U.S. Policy?

Some recent Congressional decisions regarding the major appropriations bills spotlight an acute impediment to the effective conduct of American foreign policy, due to the growing powers of Congress in this field and its particular vulnerability to individual, local, factional and partisan pressures. This situation constitutes an additional obstacle to effective diplomacy at a time when the President and Secretary of State have had to repudiate statements affecting foreign policy made by military leaders and officials such as General Douglas MacArthur and Navy Secretary Francis P. Matthews.

Congressional Role

Although the conduct of foreign relations has traditionally been considered primarily a Presidential function, Congress, especially through the Senate's treaty powers, has always influenced this country's diplomacy. In recent decades, through joint resolutions and by various laws such as those affecting tariffs and immigration, Congress has increased its foreign policy role. Within the last decade —especially since World War II—heavy foreign expenditures for the implementation of United States policy have augmented this trend.

The implications of this development were once more revealed when the House-Senate conference committee on August 24 adopted an amendment appropriating $62.5 million for a mandatory loan to Franco Spain, contrary to the urgent recommendation of the President who stated that this measure would antagonize many people in Western Europe and give a strong propaganda weapon to the Communists. During debate the next day Representative Howard W. Smith, Democrat of Virginia, declared: "We have here an almost ridiculous situation where an attempt is being made to write foreign policy in an appropriations bill on the floor of the House of Representatives." Nevertheless the amendment was approved by a vote of 165 to 90.

Congressional legislation involving foreign affairs tends to reflect many particularistic and intensive pressures not representative of the national interest as a whole. This tendency reveals itself in the current appropriations bills, which exhibit an inclination to emphasize military, tangible and short-range projects at the expense of non-military, intangible and long-range programs. Substantially more than half of all funds appropriated—more than $31.2 billion, out of almost $53 billion—are for military purposes.

A quick glance at the present world position of the United States makes evident the vast significance of the non-military items in the Administration's program. The course of the Korean war has clarified—if it was not obvious before—the fact that this country and its North Atlantic allies could not readily stop a Communist invasion of Europe, while further dispersal of forces in such potential battlefields as Iran, Indo-China and Formosa would make the situation even more dangerous. It is apparent, therefore, that the aim of American strategy in the Orient should be to strengthen both the political and economic systems and the attachment to the West of the new nations of Asia. This can be accomplished only by rendering timely assistance and by carrying out friendly policies which arouse Asian confidence in our intentions and leadership.

Non-Military Means Neglected

The attempt in Congress to cut Point Four appropriations from the $26.9 million previously authorized to only $15 million, therefore, threatened to make the long-heralded program of American aid to underdeveloped countries appear even more inconsequential than it had already become. President Truman promptly notified Congress that this attempt would "do more for the Communists . . . than hundreds of millions of dollars of their own propaganda. . . . I can conceive of no more tragic blunder than to throw away this opportunity of doing so much to strengthen the cause of freedom at such little cost." The House on August 25 restored the cut in Point Four—apparently at the price of retaining the Spanish loan. To the Asian observer it must appear ludicrous—if not hypocritical—that the American Congress, on the same day that it voted $62.5 million for the Franco regime, cavilled at spending less than half that amount to aid the vast populations

of South Asia, the Middle East, Latin America and Africa.

The elimination of the $12.5 million contribution to the UN Children's Fund would appear in a similar light. The further reduction by $200 million of the allocation for the Marshall Plan, bringing the total for the coming year to $2,526 million, contrasted with $5 billion for military aid, may convince many Europeans that we are more interested in using them as a military bastion than in helping them to achieve political and economic stability.

Propaganda Control

The Congressional leaders also failed to appreciate the difficulty of winning support for the United States when they cut appropriations for the State Department's foreign information program by more than $20 million, most of which had been requested for the "supervising, directing, planning and housekeeping" of this work. The determination and control of propaganda content is a matter of the greatest importance and difficulty, requiring substantial expenditure for adequate personnel and research facilities, lest more harm than good be done. Gordon Cotler, an American intelligence officer during World War II, tells in the August 26 issue of *The New Yorker* how difficult it was for Americans to produce effective propaganda and how even a Japanese prisoner of war, after a period of effective service, become so imbued with democratic Western ideas and attitudes that he lost his ability to win surrenders from the enemy.

Similarly, it cannot be readily assumed that the content of Voice of America programs will appeal to foreign listeners. Thus on August 13 a new series of broadcasts in Vietnamese was inaugurated with considerable fanfare by messages from President Truman, Ambassador Philip C. Jessup and other State Department officials. One speaker announced that "we have followed with keen interest your splendid effort to perfect a free and lasting democratic community despite the unscrupulous tactics of Soviet imperialism." In Indo-China the Bao Dai regime, upheld by 150,000 French troops, appears to epitomize imperialism far more than the Viet Nam Republic of Ho Chi Minh which, despite its brutality and native Communist leadership, has so far followed moderate social policies without conspicuously employing foreign assistance. The Voice's statement, therefore, however laudable it might appear to the American reader, must have struck its small Indo-Chinese audience as the product of either ignorance or hypocrisy. Yet this kind of misfiring cannot be prevented without the use of adequate funds for research and control.

That the defects of legislative action on foreign policy are not inherent in the democratic process is demonstrated by the functioning of Britain's cabinet and parliamentary system. Yet some fundamental reforms to improve executive-legislative coordination could be effected in the United States without a basic recasting of our governmental system, as the Hoover Commission proposed. For the time being, however, the chief means of holding Congressmen to a sense of mature national responsibility on foreign policy issues would appear to be the pressure of an informed and alert public opinion.

FRED W. RIGGS

Fear of War Spurs European Economic Integration

The meeting of the North Atlantic Council of Deputies in London which opened on August 22 and the September conference of Atlantic pact foreign ministers in New York indicates that the Asian crisis has not obscured the fact that the vital economic and military strength of the anti-totalitarian force lies with the nations of the Atlantic coalition. As the situation in the Far East continues to deteriorate, it becomes increasingly imperative that the economic, military and ideological resources of Western Europe be maximized.

This task is not without its disquieting aspects. Should the United States, for example, take the lead in urging that Franco's Spain be bolstered with a view to bringing it into the democratic camp? Does the need to build European strength and spirit mean that controls on the military and economic potential of Western Germany should be modified? These are but two of the questions that will be on the docket when Secretary of State Dean Acheson, Foreign Secretary Ernest Bevin and Foreign Minister Robert Schuman meet on September 12.

During the past months there have been numerous conferences and discussions designed to further European integration. By far the greatest interest has been centered about the Schuman plan for the pooling of Western Europe's coal and steel production. That proposal is still in the preliminary negotiations stage and present indications are that some serious stumbling blocks—mostly due to emphasis on national economic sovereignty—remain to be hurdled.

Payments Union Progress

By contrast the European Payments Union, which went into operation as of July 1, has been much less in the news. This is due to the extremely technical and complex nature of the new organization and the well-known fact that international disputes usually take more news space than agreement between countries. There is little doubt that the payments union is a step forward on the long road to unfettered international trade and payments.

The union establishes a system of quotas in units of account (ECU's) allocated to participants on the basis of their aggregate visible and invisible current transactions with other members in 1949. These quotas set the limit to the line of credit that participants can receive from the union and also determine the obligation of creditors to lend to the EPU. A percentage table lists the increasing responsibility of debtors to part with gold as they continue to use their "line" until, with all credit exhausted, 40 per cent of the quota would have been paid in gold. The initial ECA dollars allocated to the EPU will serve as part of the initial working capital and also as a reserve to guarantee that the use by other members of their accumulated sterling reserves will not mean a gold loss for Britain. The initial operations of the EPU will not bring a return to the pre-1930 system of free exchange since European currencies are not sufficiently strong to withstand the strain of dollar convertibility.

The Council of the OEEC decided on January 31, 1950 that 60 per cent of the trade of member nations shall be liberalized as soon as the EPU comes into operation and that by the end of 1950 this figure shall be raised to 75 per cent. The plan to remove import restrictions is bound to hit some countries harder than others. It will be especially onerous for nations which rely on import quotas rather than tariffs. For, obviously, a low-tariff

nation will find it more difficult when quota restrictions are removed than its neighbor who is protected by high tariff walls.

Stikker and Pella Plans

To equalize the hardships that the transition to a freer and more integrated Europe will bring, the Netherlands, a low-tariff country, made public on June 14 a plan devised by Dr. Dirk U. Stikker, Netherlands Foreign Minister and OEEC Council president. The essence of the Dutch proposal is twofold. It would proceed with integration, not on the sweeping basis suggested by the OEEC, but rather on an industry-by-industry basis in the manner that the Schuman plan deals with the coal and steel industries. The Stikker plan envisages the creation of a European integration fund with contributions—the Netherlands has as yet suggested no technique for determining quotas—from OEEC members. This fund will be used to help modernize plants now unable to compete effectively, as well as to ease the burden of shifting out of old and into new industries.

The Pella plan was proposed to the OEEC Council on July 7 by Italian Finance Minister Giuseppe Pella. The core of the Italian scheme is a preferential tariff agreement among the OEEC countries. Along with the attempt to lower tariff barriers the Pella plan proposes concerted action to solve the major economic problems of the member nations—and in Italy's case the principal difficulty is overpopulation. Like the Dutch proposal, the Pella plan urges the formation of an integration fund to aid in the reorganization of the European economy.

Of the principal integration devices so far suggested, only the Schuman plan goes directly to the heart of the problem, boldly urging cession of a degree of economic sovereignty. And this boldness promises protracted and complicated negotiations. On the whole, however, the pressure of the Korean war has convinced Europe's leaders that economic cooperation is neither academic nor a luxury but a vital and urgent necessity.

HOWARD C. GARY

Keep Ahead of the News—

Read FPA Reports:

THE H-BOMB AND WORLD ORDER
by Hans Bethe, Peter Kihss, William W. Kaufmann
September 1 issue

THE U.S. AND POINT FOUR PROBLEMS
by Howard C. Gary
September 15 issue

THE BRITISH COMMONWEALTH IN THE ASIAN CRISIS
by Gwendolen Carter
October 1 issue

MILITARY AND ECONOMIC STRENGTH OF WESTERN EUROPE
by Vera M. Dean and Howard C. Gary
October 15 issue

Foreign Policy Reports — 25¢
Subscription $5; to FPA members, $4

FPA Bookshelf

An Encyclopedia of Modern World Politics, by Walter Theimer. New York, Rinehart, 1950. $5.00.

A useful compendium which ranges in some 700 pages from the Aaland Islands to Zog I, including modern political terms, outlines of recent developments in all parts of the world, outstanding personalities and political thinkers and their main ideas, with copious cross-references.

Handbook of the United Nations and the Specialized Agencies. Lake Success, United Nations, Department of Public Information, 1949. $1.00 (Sales No. 1949. I.9).

The first edition of this little manual will prove a great convenience in looking up basic information concerning the origin, purposes, functions and activities, organization, membership and similar details concerning the United Nations, its various organs and commissions and thirteen specialized intergovernmental agencies.

New Forces in Asia, edited by Bruno Lasker. New York, H. W. Wilson, 1950. The Reference Shelf, Vol. 21. No. 6. $1.75.

A stimulating collection of readings taken from contemporary sources which interpret some of the underlying problems and dynamic trends that mold the political developments in this decisive area of American-Russian rivalry. Among the authors included are Carlos P. Romulo, C. Y. W. Meng, Toyohiko Kagawa, Edwin O. Reischauer, Vincent Sheehan, Anna Louise Strong, J. S. Furnivall, G. Sundaram, Fred W. Riggs and Kenneth Scott Latourette.

Chinese Agent in Mongolia, by Ma Ho-t'ien. Translated by John De Francis. Baltimore, Johns Hopkins Press, 1949. $3.50.

The diary of a journey through Mongolia in 1926-27 by a Chinese official and political agent, originally published in Chinese. It throws light on social conditions inside this secluded but historically important border zone between China and the Soviet Union, and contributes to an understanding of developments in the Mongolian People's Republic under Communist guidance.

News in the Making

ANGLO-EGYPTIAN PACT IN PROSPECT?: Egypt, which has hitherto deeply resented its thirty-year treaty with Britain providing for a British garrison in the Suez Canal zone, is now reported considering new arrangements for defense cooperation. General Fouad Sadek, Commander-in-Chief of the Egyptian forces in Palestine, has recently stated that, while he opposes "imperialism," he believes that "a joint defense with Britain is absolutely necessary in the existing circumstances, but with certain reservations."

HOW AND WHEN TO REARM GERMANS: The growth of an armed police force in Eastern Germany which might be used to attack the West German state has accelerated the Atlantic pact nations' discussions about ways and means of utilizing German manpower. The two principal plans under consideration are the creation of an armed police force patterned on that of Eastern Germany and the recruitment of German units to be incorporated in a European army. A crucial question is whether any arming of Germans should take place before the Western powers have increased their own military forces in Germany.

CLOUDS OVER KASHMIR: With the breakdown of UN mediator Sir Owen Dixon's attempt to find a basis for settlement of the Kashmir dispute between India and Pakistan, the question reverts to the Security Council where it will come up for discussion in September. At a time when the Western world is looking to Nehru's India for leadership in stabilizing non-Communist Asia, peaceful agreement on a question which raises deep ideological and emotional issues on both sides is fraught with peculiar significance.

BRITISH NATIONALIZATION REVIEWED: The general council of Britain's Trade Union Congress, in preparation for its annual conference September 4-8, has produced a report questioning some features of the nationalization of industry. The action of the TUC, backbone of the Labor party, reinforces the party's trend toward consolidation before further nationalization is attempted.

FOREIGN POLICY BULLETIN. Vol. XXIX, No. 38, SEPTEMBER 1, 1950. Published weekly from September through May inclusive and biweekly during June, July and August by the Foreign Policy Association, Incorporated. National Headquarters, 22 East 38th Street, New York 16, N. Y. BROOKS EMENY, *President;* VERA MICHELES DEAN, *Editor;* WILLIAM W. WADE, *Associate Editor.* Re-entered as second-class matter June 4, 1948, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Four Dollars a Year. Please allow at least one month for change of address on membership publications.

Produced under union conditions and composed and printed by union labor.